



CABINET FOR HEALTH AND FAMILY SERVICES
OFFICE OF THE UNDERSECRETARY FOR HEALTH

Ernie Fletcher
Governor

DEPARTMENT FOR MEDICAID SERVICES
COMMISSIONER'S OFFICE
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James W. Holsinger, Jr., M.D.
Secretary

April 19, 2005

RE: Pharmaceutical Reimbursement

Dear Provider:

As you may already know, the Cabinet for Health and Family Services reached an agreement last February with Kentucky's pharmacists regarding the Medicaid program's pharmacy reimbursement regulation. The agreement, intended to yield long-term Medicaid savings while maintaining quality care for Medicaid recipients, calls for changes in reimbursement to pharmacy providers for prescription drugs dispensed to Medicaid members.

Specifically, the agreement encourages the use of generic drugs by establishing reimbursement rates at 14 percent below AWP for generic drugs and 15 percent below AWP for brand name drugs. Previously, Medicaid reimbursed all prescription drugs at 12 percent below AWP. Also, a new financial incentive for pharmacists to dispense generic rather than brand name drugs has been implemented as Medicaid raised the dispensing fee from \$4.51 to \$5 for generic drugs. The Cabinet also lowered the dispensing fee paid for branded drugs (by one cent) from \$4.51 to \$4.50. In addition, the Cabinet has replaced Medicaid's previous pharmacy reimbursement regulation with a new emergency regulation (907 KAR 1:018E) that includes the reimbursement changes established by February's agreement. A copy of the emergency regulation may be downloaded from Medicaid's website at: <http://chfs.ky.gov/dms/current.htm>.

If you have any questions regarding this matter, please feel free to contact Medicaid's pharmacy department at (502) 564 – 7940. Also, pharmacy program information may be downloaded from the following website: <http://chfs.ky.gov/dms/Pharmacy.htm>.

Sincerely,

A handwritten signature in cursive script that reads "Shannon Turner".

Shannon R. Turner, J.D.
Commissioner

SRT/CS/JH/SO/sbb

